



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 108** SLS 09RS 525  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 27, 2009	1:01 PM	<b>Author:</b> MARIONNEAUX
<b>Dept./Agy.:</b> Revenue/Economic Development		
<b>Subject:</b> Five year credit extension		<b>Analyst:</b> Deborah Vivien

TAX/TAXATION

OR -\$10,600,000 GF RV See Note

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Extends the duration of the Research and Development Tax Credit for income and corporation franchise taxes through 2014. (gov siq)

Current law allows a credit against personal and corporate income and corporate franchise for any taxpayer receiving a federal research and development credit under Title 26 Section 41 of U.S. Code. The credit is available on state’s apportioned share of the increased research and development expenses above a defined base at the rate of 8% for those employing 500 or more Louisiana residents and 20% for those employing fewer than 500 Louisiana residents or, if the federal alternative incremental tax credit is claimed, 25% of the state apportioned share. For recipients of the Small Business Innovation Research (SBIR) grants, a credit of 20% of the award is available. The credits are transferable and may be carried forward for up to ten years. The credit is in place for expenditures made on or before December 31, 2009

Proposed law retains current law and extends the credit to December 31, 2014.

Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$10,600,000)	(\$10,600,000)	(\$10,600,000)	(\$10,600,000)	(\$42,400,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$10,600,000)	(\$10,600,000)	(\$10,600,000)	(\$10,600,000)	(\$42,400,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

This bill extends the research and development tax credit for an additional five years. Credits awarded by The Department of Economic Development (LED) in prior fiscal years are as follows: FY04/05 \$5.6M, FY05/06 \$8.0M, FY06/07 \$19.6M, FY07/08 \$14.9 and FY08/09 year-to-date \$5.7M. This fiscal note assumes the credits are either transferred for use during the next tax cycle or are claimed against available tax liabilities. It should be noted that historical credits claimed have lagged slightly behind credits awarded, whether due to timing of issuance or carry-forward credits; the Department of Revenue (LDR) reports credits claimed of \$8.3 million - \$13 million in the last three years. As the program becomes more well known and transferability options become more commonplace, it is anticipated that this lag will be reduced over time.

LED estimated credit costs of \$10.9 million per year, while the LDR data averages \$10.3 million per year. The average of those two close datasets suggests revenue losses of approximately \$10.6 million should be expected. Since the existing program allows credits to be awarded for expenditures through 2009, the first fiscal year impacted by this bill’s extension is FY11. Obviously, should research and development activities/expenditures deviate significantly from these levels, the fiscal impact of this program and any extensions of it would change, as well.

Senate

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change

Dual Referral Rules

House

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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